

City of Detroit

CITY COUNCIL

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TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director 
Anne Marie Langan, Deputy Director 

DATE: July 18, 2007

RE: The State Convention Facility Development Act of 1985 (P.A. 106)
and the State Convention Facility Development Fund

This report will hopefully clarify and update the Fiscal Division's report on this issue dated February 8, 2007, as well as subsequent proposals.

Attached is a chart that in the last 20 years (1986-2005) shows how the funds have been collected by county and the city of Detroit and then subsequently how they have been disbursed.

Of the \$357.3 million that has been distributed to Detroit for the sole purpose of retiring the debt service on the 1985 Cobo Hall expansion, \$124.4 million or 34% came from taxes collected in the city of Detroit on both liquor and hotel accommodations. According to the state act, then the funds from the accommodations tax from the 3 counties (\$220 million) was applied to the debt service and then if there was any remaining shortfall, it would come from the three counties liquor tax, which is roughly \$12 million. There were 2 years prior to 1991, that a negligible amount of the out state county liquor tax was used to cover debt service, according to the Act's formula, which totaled \$270,000. Also according to the state act, if any liquor tax from the tri-counties remains after covering the debt service, it is divided among all of the counties, but not with Detroit.

State Balancing Proposal

The state legislature's budget deliberations to balance the current fiscal year's budget concluded that there is currently \$35 million available in the State Convention Facility Development Fund that is currently slated to be sent to the out state counties. The legislature will shift that money to the state's general fund and instead allow the counties to "draw down" from the money that is still in escrow from the one-time trick the state used of shifting part of the county taxes to the summer payment, which should make them whole for the counties' next

fiscal year. The state is then pledging to return state revenue sharing to the counties, which was cut out a couple years ago when they moved a portion of the county taxes to the summer tax bill.

The legislature has yet to "open" P.A. 106 of 1985 to make this proposed one-year change, but plan to do so in September, as the fiscal year ends September 30.

Recommendation for Council to Consider

Councilmember Watson has asked our office to recommend any revenue enhancements for the city from this fund.

There will be 5 new hotels opening in Detroit in the next 2 years – the three casino hotels, the Book Cadillac and the Fort-Shelby. Assuming 1,600 rooms at \$200 per room and assuming the rooms are filled 60% of the time, this would generate \$4.2 million in accommodations tax. Council could recommend to the administration and the city's lobbyist that when the act is opened in September to assist the state's budget, there could also be language added that says any new hotel rooms opened in Detroit after September 1, 2007, the accommodations tax be deposited in the City of Detroit's General Fund.

In light of the state revenue sharing cuts to the city of over \$10 million in the fiscal year that just ended June 30th, Council may want to consider this proposal and confer with either the administration or the city's lobbyist to determine if it is politically feasible at this time.

We would recommend that this recommendation also be referred to Research and Analysis for review.

Attachment – 1

cc: Council Divisions
Auditor General
Pamela Scales, Budget Director
Roger Short, Finance Director
Kandia Milton, Mayor's Office

Breakdown of Collections and Distributions Through the State Convention Facility Fund

